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TAGS: MCAP, NATO, NL

SUBJECT: NATO FORCE PROPOSALS/GOALS 1975-80 THE NETHERLANDS

REFS: A. STATE 42348; B. MCM-14-74

SECTION I. INTRODUCTION

1. THIS MESSAGE PROVIDES SPECIFIC GUIDANCE FOR MISSION USE DURING CONTINUING DRC REVIEW OF DUTCH FORCE PROPOSALS/GOALS. THE GENERAL APPROACH USED IN DEVELOPING THIS GUIDANCE WAS DESCRIBED IN REF A. FYI. WE REITERATE THAT

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THE CONCEPT EMPLOYED IN ARRIVING AT U.S. PROPOSED FORCE

GOALS DOES NOT ATTEMPT TO SUPPLANT THE MILITARY CONSIDERATIONS EXPRESSED AS MC PRIORITIES IN FORCE PROPOSALS. RATHER, IT USES THOSE PROPOSALS AS A DEPARTURE POINT TO INTERWEAVE ECONOMIC, POLITICAL, AND USG POLICY CONSIDERATIONS INTO THE FORCE PLANNING PROCESSES OF THE ALLIANCE. END FYI-

2. AS DESCRIBED IN REF A, OUR QTE REASONABLE CHALLENGE UNQTE FOR NATO COUNTRIES WAS DEFINED AS THE INCREMENTAL FUNDS -- OVER AND ABOVE CURRENT NATIONAL EXPENDITURE PLANS -- THAT COUNTRIES WOULD HAVE DURING 1975-80 IF THEY MAINTAINED THEIR CURRENT PERCENTAGE OF GNP DEVOTED TO DEFENSE. IN THE CASE OF THE NETHERLANDS OUR QTE REASONABLE CHALLENGE UNQTE WOULD BE AN ADDITIONAL EXPENDITURE OF

1,623 MILLION H. FL., OR AN INCREASE OF ABOUT FIVE PERCENT OVER AND ABOVE OUR PROJECTION OF CURRENTLY PLANNED 1975-80 EXPENDITURES (33,343 MILLION H. FL.).

3. WE HAVE ALSO FOLLOWED THE PROCEDURE DESCRIBED IN REF A FOR DISTILLING A U.S. PROPOSED LIST OF PRIORITY ONE FORCE GOALS OUT OF REF B. IN THE CASE OF THE NETHERLANDS, NARROWING THE CRITERIA FOR PRIORITY ONE TO THOSE FORCE PROPOSALS WHICH SEEM TO ADVANCE NATO'S FORCE STRUCTURE TOWARDS THE OBJECTIVES EMPHASIZED BY SECRETARY SCHLESINGER HAS RESULTED IN THE PROPOSED FORCE GOALS INCLUDED BELOW IN TABLES III-1 THROUGH 3.

4. WE ASSUME MISSION WILL WORK CLOSELY WITH DELEGATIONS AND INTERNATIONAL STAFF IN CARRYING OUT APPROPRIATE MISSIONARY WORK.

5. THE FOLLOWING SECTIONS PROVIDE DETAILS ON THE FORCE PROPOSALS FOR THE NETHERLANDS.

SECTION II: COMPUTATION OF QTE REASONABLE CHALLENGE UNQTE EXPENDITURE TARGETS FOR THE NETHERLANDS.

1. THIS SECTION DESCRIBES THE PROCESS USED TO ESTABLISH OUR REASONABLE CHALLENGE EXPENDITURE TARGETS FOR THE SECRET

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NETHERLANDS. A SUMMARY OF THE KEY STEPS IS PRESENTED BELOW FOLLOWED BY A GENERAL DESCRIPTION OF DATA SOURCES AND ASSUMPTIONS.

1972 CONSTANT PRICES, GULDERS IN MILLIONS

(1)	(2)	(3)
PROJECTED	PERCENTAGE OF	1975-80 DEFENSE

1975-80	GNP CURRENTLY	EXPENDITURES TARGET
GNP	DEVOTED TO	BASED ON MAINTAINING
-	DEFENSE	CURRENT PERCENTAGE
-		OF GNP DEVOTED TO
-		DEFENSE

945,018	3.7 PERCENT	34,966
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(4)	(5)	(6)
PROJECTED	QTE REASONABLE CHALLENGE	QTE REASONABLE
1975-80 DEFENSE	UNQTE (DIFFERENCE	CHALLENGE UNQTE
EXPENDITURES	BETWEEN TARGET AND	AS A PERCENT OF
BASED ON CURRENT	NATIONAL PLANS)	PROJECTED
NATIONAL PLANS		EXPENDITURES
-	BASED ON	
-	NATIONAL PLANS	

33,343	1,623	4.9 PERCENT
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SUMMARY OF KEY STEPS

2. FIRST, WE PROJECTED TOTAL DUTCH GNP FOR 1975 THROUGH 1980 (COL. 1). NEXT, WE DETERMINED THE TOTAL FUNDS THAT WOULD BE AVAILABLE FOR DEFENSE DURING 1975-80 IF THE NETHERLANDS ADHERED TO MINISTERIAL GUIDANCE CALLING FOR NATIONS TO ALLOCATE AT LEAST A CONSTANT SHARE OF THEIR NATIONAL WEALTH, I.E., THEIR GNP, TO DEFENSE (COL. 3). WE THEN DETERMINED WHAT FUNDS THE NETHERLANDS WOULD HAVE AVAILABLE FOR DEFENSE DURING 1975-1980 BASED ON CURRENT NATIONAL EXPENDITURE PLANS (COL. 4). WE ASSUMED THAT THE FORCE PROPOSALS ALREADY IN NATIONAL FORCE PLANS WOULD BE FUNDED OUT OF THE AMOUNTS SHOWN IN COL. 4 AND THAT ADDITIONAL FUNDING, OVER AND ABOVE THE AMOUNTS SHOWN IN COL. SECRET

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4, WOULD BE NECESSARY TO FUND ANY ADDITIONAL FORCE PROPOSALS (OTHER THAN NO COST/LOW COST PROPOSALS). COLUMN 5 IS THE DIFFERENCE BETWEEN TOTAL DEFENSE EXPENDITURES BASED ON MAINTAINING THE CURRENT GNP PERCENTAGE (COL. 3) AND TOTAL DEFENSE EXPENDITURES BASED ON CURRENT NATIONAL EXPENDITURE PLANS (COL. 4). THIS REPRESENTS OUR PROPOSED REASONABLE CHALLENGE, THE INCREMENTAL AMOUNT THE NETHERLANDS WOULD BE EXPECTED TO DEVOTE TO DEFENSE TO FUND PRIORITY ONE FORCE PROPOSALS THAT ARE NOT ALREADY IN COUNTRY PLANS. THE FIGURE OF H.FL. 1.6 BILLION FOR 1975-1980 IS APPROXIMATELY H.FL. 462 MILLION BELOW THE INTERNATIONAL STAFF'S HIGH ESTIMATE OF THE REASONABLE CHALLENGE, AS REPORTED IN DRC/WR(74)1, AND ABOUT H.FL. 1,438 MILLION ABOVE ITS LOW ESTIMATE. COLUMN 6 SHOWS OUR PROPOSED REASONABLE CHALLENGE (COL. 5) AS A PERCENT OF

DEFENSE EXPENDITURES BASED ON CURRENT NATIONAL EXPENDITURE PLANS (COL. 4). THIS PERCENTAGE INDICATES THE MAGNITUDE OF THE ADDITIONAL EFFORT THAT WOULD BE REQUIRED TO MEET THE PROPOSED REASONABLE CHALLENGE.

DATA SOURCES AND ASSUMPTIONS.

3. PRICE BASE: ALL COMPUTATIONS WERE DEVELOPED ON THE BASIS OF 1972 CONSTANT PRICES. THIS WAS THE PRICE BASE

USED BY SHAPE TECHNICAL CENTER IN ITS COST ESTIMATES OF THE FORCE PROPOSALS.

4. GNP PROJECTIONS (COLUMN 1): GNP PROJECTIONS ARE BASED ON THE FORECASTS PROVIDED IN NATO DOCUMENT DPC/D(73)23 (NETHERLANDS) ADJUSTED TO REFLECT RECENT INFORMATION CONCERNING THE IMPACT OF THE ENERGY CRISIS. BASED ON PROJECTIONS PROVIDED IN THE HAGUE 319 AND INFORMATION OBTAINED FROM USG AGENCIES, WE ESTIMATED ZERO REAL GROWTH IN DUTCH GNP FOR 1974. IT WAS ASSUMED THAT GNP WOULD GROW FOLLOWING 1974 (1.5 PERCENT IN 1975, 3.0 PERCENT IN 1976) BUT DUE TO LINGERING EFFECTS OF THE ENERGY CRISIS WOULD NOT ACHIEVE THE 4.3 PERCENT PER YEAR GROWTH RATE PROJECTED IN DPC/D(73)23, UNTIL AROUND 1977
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